

**MORGAN CITY HARBOR AND
TERMINAL DISTRICT**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1/27/10

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Darnall, Sikes, Gardes Frederick.

(A Corporation of Certified Public Accountants)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Morgan City Harbor and Terminal District
Morgan City, Louisiana

We have audited the accompanying financial statements of the business-type activities of the Morgan City Harbor and Terminal District (the District), as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Morgan City Harbor and Terminal District as of June 30, 2009, and the respective changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 10, 2009 on our consideration of the Morgan City Harbor and Terminal District's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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The Morgan City Harbor and Terminal District has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as "Supplementary Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Morgan City Harbor and Terminal District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the respective financial statements taken as a whole.

Dannall, Sikes, Gaudes & Frederick

(A Corporation of Certified Public Accountants)

Morgan City, Louisiana
December 10, 2009

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Statement of Net Assets
June 30, 2009

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 2,257,598
Receivables:	
Accounts	354
Taxes	10,784
Prepaid items	76,391
Other assets	<u>206</u>
Total current assets	<u>2,345,333</u>
Noncurrent assets:	
Capital assets (net of accumulated depreciation)	8,849,410
Land	2,412,825
Construction in progress	<u>8,500</u>
Total noncurrent assets	<u>11,270,735</u>
Total assets	<u>\$ 13,616,068</u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 69,632
Other accrued liabilities	10,251
Compensated absences	<u>8,003</u>
Total current liabilities	<u>87,886</u>

NET ASSETS

Invested in capital assets	11,270,735
Unrestricted	<u>2,257,447</u>
Total net assets	<u>13,528,182</u>
Total liabilities and net assets	<u>\$ 13,616,068</u>

The accompanying notes are an integral part of these financial statements.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Statement of Revenues, Expenses and Changes in Fund Net Assets
Year Ended June 30, 2009

Operating revenues:	
Charges for services	
Rentals	\$ 726,796
Other revenues	<u>5,560</u>
Total operating revenues	<u>732,356</u>
Operating expenses:	
Cost of sales and services	194,834
General and administrative	787,337
Depreciation	<u>333,490</u>
Total operating expenses	<u>1,315,661</u>
Operating loss	<u>(583,305)</u>
Nonoperating revenues:	
Ad valorem taxes	1,128,224
Intergovernmental	84,555
Interest earnings	<u>58,245</u>
Total nonoperating revenues	1,271,024
Change in net assets	687,719
Net assets, beginning	<u>12,840,463</u>
Net assets, ending	<u>\$ 13,528,182</u>

The accompanying notes are an integral part of these financial statements.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Statement of Cash Flows
Year Ended June 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers and users	\$ 742,998
Cash paid for goods and services	(766,444)
Payment for salaries and benefits	<u>(220,820)</u>
Net cash used by operating expenses	<u>(244,266)</u>

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES**

Ad valorem taxes	1,134,069
Intergovernmental	<u>119,555</u>
Net cash provided by noncapital financing activities	<u>1,253,624</u>

**CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES**

Acquisition of capital assets	<u>(2,415,055)</u>
Net cash used by capital and related financing activities	<u>(2,415,055)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income	<u>58,245</u>
Net cash provided by investing activities	<u>58,245</u>

Net decrease in cash and cash equivalents	(1,347,452)
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Cash and cash equivalents -- July 1, 2008	<u>3,605,050</u>
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Cash and cash equivalents -- June 30, 2009	<u>\$ 2,257,598</u>
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**Reconciliation of operating loss to net cash
provided by operating activities:**

Operating loss	<u>\$ (583,305)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	333,490
Decrease in accounts receivable	10,642
Increase in prepaid expenses	(97)
Decrease in deposits	(1,000)
Increase in accounts payable	18,054
Decrease in payroll related payables	<u>(22,050)</u>
Total adjustments	<u>339,039</u>
Net cash used by operating activities	<u>\$ (244,266)</u>

The accompanying notes are an integral part of these financial statements.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 1 NATURE OF OPERATIONS

The Morgan City Harbor and Terminal District (the District) was created as a public corporation and political subdivision of the State of Louisiana under Louisiana Revised Statute 34:321. The District is governed by a Board of Commissioners consisting of nine members appointed by the Governor. The board has the power to regulate the commerce and traffic of the District in such manner as may be best for the public interest; and it is empowered to own and have charge of, to administer, construct, operate and maintain wharves, warehouses, landing, docks, sheds, belt and connection railroads, shipways, canals, channels, slips, basins, locks, elevators and other structures and facilities necessary and proper for the use and development of the business of the District.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards. The District applies all GASB pronouncements as well as Financial Accounting Standards (FASB) statements and interpretations issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

In accordance with Statement No. 20 of the Governmental Accounting Standards Board (GASB), "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting", it is the District's policy to apply all applicable GASB pronouncements as well as all Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The District has not adopted any Financial Accounting Standards Board Statements or Interpretations, Accounting Principles Board Opinions or Accounting Research Bulletins of the Committee on Accounting Procedure issued after November 30, 1989.

Reporting Entity

Government Accounting Standards Board (GASB) statement No. 14 has established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity and other reporting relationships. The basic criterion for including a potential component unit within the reporting entity is financial accountability.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The GASB has set forth criteria to be considered in determining financial accountability. The criteria include:

1. Appointment of a voting majority of the governing board.
 - a. The ability of the reporting entity to impose its will on the organization.
 - b. The potential of the organization to provide specific financial benefits to or impose specific financial burdens on the reporting entity.
2. Organizations which are fiscally dependent.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature of significance of the relationship.

The District is considered a related organization of the State of Louisiana. Although the Governor appoints the governing board, the State does not have a financial benefit or burden relationship with the District. Because the State does not have financial accountability for the District, the District is excluded from the reporting entity of the State. The nature of the State's relationship with the District is disclosed in the State's audited financial statements.

The accompanying financial statements present information only on the funds maintained by the District and do not present information on the State of Louisiana.

Fund Accounting

The accounts of the District are organized and operated on a fund basis (enterprise fund) whereby a separate self-balancing set of accounts that comprise assets, liabilities, net assets, revenues and expenses is maintained for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accrual basis of accounting, whereby revenues are recognized when they are earned and expenses are recognized when incurred is used to account for the Enterprise Fund.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include demand deposits and deposits in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana.

Accounts Receivable

The District uses the direct write off method to remove uncollectible receivables. This method approximates the allowance method required by accounting principles generally accepted in the United States of America.

Capital Assets

All capital assets are capitalized at historical cost. The District maintains a threshold level of \$1,000 or more for capitalizing capital assets.

All capital assets are depreciated using the straight line method over their estimated useful lives as follows:

Furniture and Fixtures	5-7 years
Leasehold Improvements	5-15 years
Wharf, Dock, Sheet Piling, Marshalling Yard, Railroad Spur	5-40 years

Compensated Absences

Accumulated vacation and sick leave is accrued as an expense of the period in which incurred. Employees earn from 10 to 20 days of vacation and sick leave each year depending on the length of service with the District. Vacation time not used by the end of the year may be taken ninety days into the following calendar year. Upon termination of employment, unused vacation up to five days will be paid to employees at the employee's current rate of pay.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Values of Financial Instruments

On July 1, 2008 the District adopted the provisions of SFAS No. 157, Fair Value Measurement. See Note 12 for details on fair values used for the District's assets and liabilities.

NOTE 3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include demand deposits and deposits in the Louisiana Asset Management Pool, Inc. (LAMP). Under state law, the District may deposit funds with a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States.

At June 30, 2009, the District has cash and cash equivalents (book balances) totaling \$2,257,598 as follows:

Demand Deposits	\$ 290,729
LAMP	<u>1,966,869</u>
Total cash and cash equivalents	<u>\$ 2,257,598</u>

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be recovered. Under state law, all funds deposited in a bank must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit held with the bank. These securities are held in the name of the pledging bank in a holding or custodial bank that is mutually acceptable to both parties (Category 3). Deposit balances (bank balances) at June 30, 2009 were fully secured as follows:

Bank balances, excluding LAMP	<u>\$ 312,710</u>
Federal deposit insurance	\$ 265,968
Pledged securities	<u>998,094</u>
Total	<u>1,264,062</u>
Excess of federal insurance and pledged securities over bank balances	<u>\$ 951,352</u>

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 3 CASH AND CASH EQUIVALENTS DEPOSITS (CONTINUED)

Even though the pledged securities are considered uncollateralized (Category 3) Louisiana R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

The District had \$1,966,869 invested in the Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB Codification Section 150.165, the investment in LAMP as of June 30, 2009 is not categorized in the three risk categories provided by GASB Codification 150.164 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP, Inc. which is a nonprofit corporation organized under the laws of the State of Louisiana, formed by an initiative of the State Treasurer in 1993. The Corporation is governed by a board of directors consisting of the State Treasurer representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPAs. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government or one of its agencies, enterprises or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to no more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. Due to this immediate access feature, investments in LAMP are considered cash equivalents by the District.

NOTE 4 AD VALOREM TAXES

Ad Valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the District in September or October and are actually billed to taxpayers in November or December. Billed taxes become delinquent on January 1 of the following year. The St. Mary Parish Sheriff bills and collects property taxes for the District using the assessed values determined by the tax assessor of St. Mary Parish. District property tax revenues are budgeted in the year billed.

For the year ended June 30, 2009, 4.51 mills were authorized and dedicated to the District.

Total taxes collected were \$1,117,440. Total taxes receivable at Jun 30, 2009 were \$10,784.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 5 INTERGOVERNMENTAL REVENUES

Intergovernmental revenues for the year ended June 30, 2009 consisted of the following:

State of Louisiana Revenue Sharing	\$ 39,556
South Louisiana Economic Council	<u>44,999</u>
	<u>\$ 84,555</u>

NOTE 6 CAPITAL ASSETS

A summary of changes in capital assets and depreciation for the year ended June 30, 2009 is as follows:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Capital assets not being depreciated:				
Land	\$ 33,945	\$2,378,880	\$ -	\$ 2,412,825
Construction in progress	-	8,500	-	8,500
Total capital assets not being depreciated	<u>33,945</u>	<u>2,387,380</u>	<u>-</u>	<u>2,421,325</u>
Capital assets being depreciated:				
Furniture and fixtures	62,812	15,449	-	78,261
Wharf	4,905,623	-	-	4,905,623
Dock	8,381,667	-	-	8,381,667
Sheet piling	1,200,000	-	-	1,200,000
Leasehold improvements	94,112	12,226	-	106,338
Marshalling yard	256,826	-	-	256,826
Railroad spur	852,158	-	-	852,158
Total capital assets being depreciated	<u>15,753,198</u>	<u>27,675</u>	<u>-</u>	<u>15,780,873</u>
Less accumulated depreciation for:				
Furniture and fixtures	(53,039)	(5,934)	-	(58,973)
Wharf	(1,545,445)	(113,771)	-	(1,659,216)
Dock	(4,337,630)	(152,000)	-	(4,489,630)
Sheet piling	(300,000)	(30,000)	-	(330,000)
Leasehold improvements	(67,006)	(4,060)	-	(71,066)
Marshalling yard	(57,788)	(6,421)	-	(64,209)
Railroad spur	(237,065)	(21,304)	-	(258,369)
Total accumulated depreciation	<u>(6,597,973)</u>	<u>(333,490)</u>	<u>-</u>	<u>(6,931,463)</u>
Capital assets, being depreciated, net	<u>9,155,225</u>	<u>(305,815)</u>	<u>-</u>	<u>8,849,410</u>
Capital assets, net	<u>\$9,189,170</u>	<u>\$2,081,565</u>	<u>\$ -</u>	<u>\$11,270,735</u>

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 7 CHANGES IN DEBT OBLIGATIONS

The following is a summary of the debt obligation transactions during the year:

	Balance at July 1, 2008	Additions	Reductions	Balance at June 30, 2009	Due Within One Year
Compensated absences	\$ 6,317	\$ 8,003	\$ (6,317)	\$ 8,003	\$ 8,003

NOTE 8 OPERATING LEASE REVENUES

The District's revenues include the leasing of land and improvements under cancelable operating leases. The leases are accounted for using the operating method whereby the amount of revenue recognized in each accounting period is equivalent to the amount of rent receivable according to the provisions of the lease.

The District also leases facilities and office space to tenants under noncancelable operating leases with terms of five to twenty years. The following is a schedule by years of future minimum rentals under the leases at June 30, 2009:

<u>Year Ending June 30,</u>	
2010	\$ 913,607
2011	1,077,194
2012	710,098
2013	448,289
2014	375,612
Thereafter	<u>1,894,758</u>
	<u>\$ 5,419,558</u>

NOTE 9 LEASE EXPENSE COMMITMENTS

The District leases land and buildings under noncancelable operating leases. Total costs for such leases were \$91,781 for the year ended June 30, 2009. The future minimum lease payments for these leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2010	<u>\$ 91,574</u>

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 10 POST-RETIREMENT HEALTH CARE BENEFITS

The District provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the District's employees become eligible for these benefits if they reach normal retirement age while working for the District. These benefits for retirees are similar benefits for active employees and are provided through the Louisiana State Employees Group Benefits Program. Retirees' monthly premiums are paid jointly by the retiree and the District. Monthly premiums for active employees are paid by the District. The District recognizes the cost of providing these benefits (District's portion of premiums) as expenditures when paid during the year. The District's total cost of providing health care benefits for the year ended June 30, 2009 was \$5,423.

NOTE 11 BOARD OF COMMISSIONERS

Members of the Morgan City Harbor and Terminal District at June 30, 2009:

Raymond Wade
Gregory Aucoin
Jerry Gauthier
Bill New
Willie Tezeno
Deborah Garber
Duane Lodrigue
William Pecoraro
Larry Doiron – resigned February 2009

No compensation was paid to these individuals during the year.

NOTE 12 FAIR VALUE MEASUREMENTS

On July 1, 2008, the Company adopted the provisions of SFAS No. 157, Fair Value Measurement. SFAS No. 157 clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability and establishes a fair value hierarchy that prioritizes the inputs used to develop those assumptions and measure of fair value. The hierarchy requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 2: *Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.*

Level 3: *Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing methods, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.*

The following methods and assumptions were used by the Company in estimating fair values of financial instruments as disclosed herein:

Cash and cash equivalents, trade receivables, other current assets, accounts payable, and other current liabilities—The amounts reported in the accompanying Statement of Net Assets approximate fair value due to their short-term nature.

NOTE 13 SUBSEQUENT EVENTS

The District recently purchased approximately 24 acres of land fronting Woodland and Youngswood Roads in Morgan City, Louisiana. InterMoor, Inc. will lease this property for the purpose of relocating its existing manufacturing facility in Amelia to Morgan City.

Pursuant to the lease between the District and InterMoor the District is required to build certain infrastructure which will cost approximately \$6,600,000. The District has been awarded two grants to assist with the funding of this project. The District will be eligible to receive up to \$6,595,420 from the Louisiana Port Construction and Development Priority Program for site improvements. The District will also receive \$1,500,000 from Louisiana Economic Development to purchase assets from InterMoor, Inc. that are constructed by the company as project related public infrastructure. These grants are reimbursement type grants therefore the District is in the process of securing financing in the form of bonds from several financial institutions to cover costs until the grant funding is received.

On November 5, 2009, InterMoor, Inc. entered into a lease agreement with the District. Effective October 1, 2009, InterMoor, Inc. will pay the District \$10,000 per month for October, November, and December of 2009. Beginning January 1, 2010 and ending December 31, 2019, the District will receive \$30,000 per month from InterMoor, Inc. for the lease of the above mentioned property.

**SUPPLEMENTAL
INFORMATION**

**INTERNAL CONTROL
AND
COMPLIANCE**



Darnall, Sikes, Gardes Frederick.

(A Corporation of Certified Public Accountants)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Commissioners
Morgan City Harbor and Terminal District
Parish of St. Mary, State of Louisiana
Morgan City, Louisiana

We have audited the financial statements of the Morgan City Harbor and Terminal District, a component unit of the State of Louisiana, as of and for the year ended June 30, 2009, and have issued our report thereon dated December 10, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Morgan City Harbor and Terminal District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Morgan City Harbor and Terminal District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified one deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses, Item 2009-1 to be a significant deficiency in internal control over financial reporting.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, the significant deficiency described above, Item 2009-1, we consider to be a material weakness.

Compliance

As part of obtaining reasonable assurance about whether the Morgan City Harbor and Terminal District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Morgan City Harbor and Terminal District and other within the organization. However, under Louisiana Revised Statue 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document; therefore, its distribution is not limited.

Dannall, Sikes, Gardes & Frederick
(A Corporation of Certified Public Accountants)

Morgan City, Louisiana
December 10, 2009

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Summary Schedule of Prior Year Findings
Year Ended June 30, 2009

2008-1 Finding: Inadequate Segregation of Accounting Functions
Status: This finding is unresolved. See current year finding 2009-1.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Part 1: Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report

An unqualified opinion has been issued on the Morgan City Harbor and Terminal District's financial statements as of and for the year ended June 30, 2009.

Internal Control Deficiencies – Financial Reporting

One significant deficiency over financial reporting was disclosed during the audit of the financial statements and is shown as item 2009-1 and is considered a material weakness.

Material Noncompliance – Financial Reporting

There were no material instances of noncompliance noted during the audit of the financial statements.

FEDERAL AWARDS

This section is not applicable for the year ended June 30, 2009.

Part 2: Findings Relating to an Audit in Accordance with *Governmental Auditing Standards*

2009-1 Inadequate Segregation of Accounting Functions

Finding:

Due to the small number of accounting personnel, the District did not have adequate segregation of functions within the accounting system.

Recommendation:

Based upon the size of the operation and the cost benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

Part 3: Findings and Questioned Costs Relating to Federal Programs

At June 30, 2009, the Morgan City Harbor and Terminal District did not meet the requirements to have a single audit in accordance with OMB Circular A-133; therefore, this section is not applicable.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Management's Corrective Action Plan For Current Year Findings
Year Ended June 30, 2009

Response to Finding 2009-1:

No response is considered necessary.

**OTHER
SUPPLEMENTARY
INFORMATION**

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Schedule of Cost of Sales and Services
For the Year Ended June 30, 2009

Dock expenses:	
Security	\$ 56,956
Contracted services	375
Repairs and maintenance	42,740
Supplies	<u>2</u>
Rental expense:	
Repairs and maintenance	<u>4,764</u>
Strategic plan expenditures	<u>89,997</u>
Total cost of sales and services	<u>\$ 194,834</u>

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Schedule of General and Administrative Expenses
For the Year Ended June 30, 2009

Accounting	\$ 6,400
Advertising	29,049
Bank charges	147
Car allowance	14,175
Parish pension deduction	36,555
Computer maintenance	3,702
Professional services	203,555
<i>Dues and subscriptions</i>	<i>7,740</i>
Marketing and promotions	17,709
Insurance	36,639
Internet charges	1,995
Janitorial	4,941
Pest control	423
Office supplies	8,188
Postage	608
Lease expense	91,781
Rental equipment	2,773
Repairs and maintenance	70,833
Salaries and benefits	198,770
Telephone	8,372
Conference and travel	28,992
Utilities	<u>13,990</u>
Total general and administrative expenses	<u>\$ 787,337</u>